



TO: Chair and Members of the Finance & Facilities Committee

FROM: Christopher Mackie, Medical Officer of Health / CEO

DATE: 2019 July 4

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## PROPOSED 2020/21 BUDGET PROCESS, CRITERIA & WEIGHTING

### **Recommendation**

*It is recommended that the Finance & Facilities Committee receive and make recommendation to the Board of Health to:*

- 1. Approve the PBMA criteria and weighting that is proposed in [Appendix A](#) to Report No. 026-19FFC;*
- 2. Approve requesting the full amount of the provincial cost-sharing reductions, but not cost-of-living pressures, from the municipal funders; and*
- 3. Approve the development of a two-part budget representing the first quarter of 2020 and, separately, the 12 months from April 2020 to March 2021.*

### **Key Points**

- MLHU is preparing for its seventh year of the PBMA criteria-based budgeting process.
- No changes are currently proposed to the criteria and weightings for 2020. However, a discussion on the criteria would be welcome given the changing landscape of public health.
- Due to cost-of-living increases and other budgetary pressures, the MLHU 2020/21 budget will require disinvestments of approximately \$570,000 in order balance.
- The provincial cost sharing reductions will be requested from the municipalities and through the PBMA process MLHU will find disinvestments representing the 2020/21 budget inflationary pressures.
- The provincial budget announcement indicated that in the future, public health entities will follow an April-March fiscal budget year. As such, staff are recommending the development of a two-part budget, representing the first quarter of 2020, and a full twelve months of the 2020-21 April-March budget.

### **Background**

Program Budgeting Marginal Analysis (PBMA) is a criteria-based budgeting process that facilitates reallocation of resources based on maximizing service. This is done through the transparent application of pre-defined criteria and decision-making processes to prioritize where proposed funding investments and disinvestments are made.

The forecasting process is focused on the impact of provincial budget cost-sharing reductions and the incremental costs related to salaries and benefits as well as other inflationary costs.

### **2020 Budget Guidelines**

The 2020 PBMA process consist of:

- a) Validation of the assessment criteria and weighting for disinvestments by the Senior Leadership Team;
- b) Approval of criteria and weighting by the Finance and Facilities Committee;

- c) Proposal development that identifies disinvestments that will have the least negative impact and investments with the highest positive impact;
- d) Review of proposals by internal advisory committees;
- e) Proposal review and recommendations by the Senior Leadership Team;
- f) Review by the Finance and Facilities Committee and approval by the Board of Health.

### **Baseline Assumptions**

Due to significant pressures, proposed disinvestments will be considered but it is unlikely that there will be surplus funds available to be invested in new program opportunities. Inflationary pressures represent a budget shortfall of approximately \$570,000 that must be found through the PBMA process for 2020. In light of this and the potential provincial funding changes, staff considered a number of options in building the 2020/21 budget which included the following:

- 1) Request the entire amount of the provincial cost sharing reductions and inflationary shortfall from the municipalities;
- 2) Disinvest in MLHU programs and services that represent the full amount of the cost-sharing reductions as well as the full amount of the inflationary pressures; or
- 3) Request the provincial cost sharing reductions from the municipalities and through the PBMA process find MLHU disinvestments representing the remaining inflationary pressures.

Staff are recommending that MLHU request any provincial cost sharing reductions from the municipalities and through the PBMA process find MLHU disinvestments representing the inflationary pressures.

### **Budget Horizon: 2020/21**

Given the provincial budget announcement which indicates that Health Units will be transitioning to an April-March fiscal year, it is proposed that staff develop a two-part budget consisting of the first three months of 2020, and separately the 12 months from April 2020 until March 2021.

### **Next Steps**

The criteria and weights approved by the Finance and Facilities Committee will be applied to each proposal for disinvestment and investment. The recommended proposals will be brought to the Finance & Facilities Committee and the Board of Health for approval as part of the 2020/21 budget process. Staff will work towards the development of the 2020/21 budget based on the direction of the Board with respect to budget horizon and flow through of funding reduction from the provincial government.

This report was prepared by the Finance Team, Healthy Organization Division.



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